



City of Gahanna

Q2 2012

# Financial Report to Council

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## Overview

The purpose of this report is to provide Gahanna City Council, residents and interested parties an overview of the City's General Fund through the second quarter of 2012. Overall, the General Fund's performance through June 30, 2012 has been positive. Revenues have exceeded estimates in all categories, and expenses are well within appropriated amounts. The financial highlight of the second quarter was a Council authorized transfer of \$2,782,680 from the General Fund to the Capital Improvement Fund to fund upcoming capital projects proposed in the Community Investment Plan.

## Revenue

Through June 30, 2012, Gahanna collected \$13,290,050 in General Fund revenues from all sources on a cash basis. This amount represents 59.2% of our planned General Fund Revenue for 2012. This amount is .9% or \$130,603 less than our General Fund cash collections for the same period in 2011. Factoring out an extraordinarily large net profit filing from 2011 that was refunded in 2012, General Fund revenue would be \$739,397 or 5.6% higher than the same time last year.

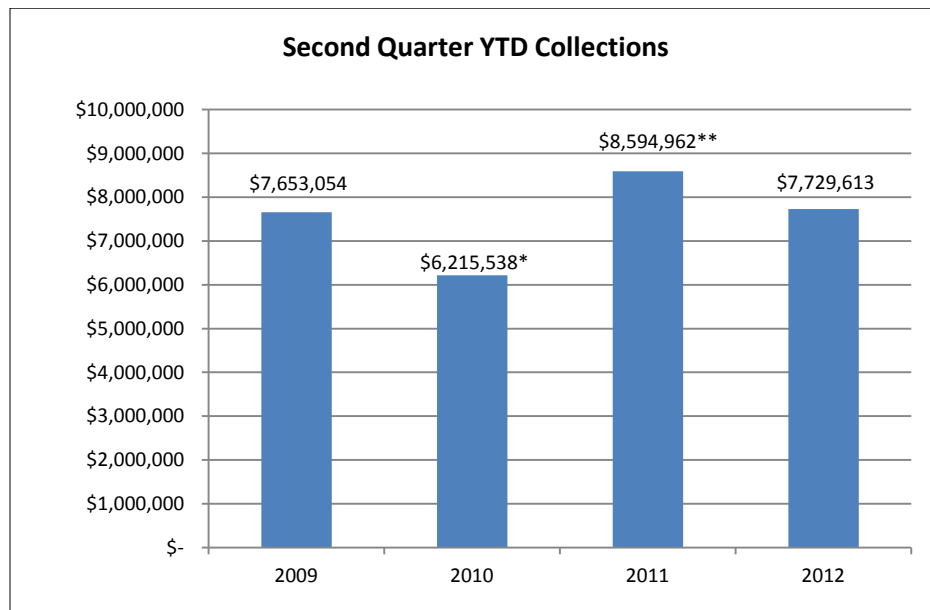
Collections in all categories are above 50% of planned revenue for the first half of the year. The table below details each of the General Fund revenue categories and their performance compared to plan for the reporting period.

REVENUE CATEGORY	Q2 YTD	2012 PLAN	PCT OF PLAN
INCOME TAX	\$ 7,729,613	\$ 14,546,000	53%
REAL ESTATE TAXES	\$ 992,852	\$ 1,573,214	63%
FINES, FEES, LICENSES & PERMITS	\$ 2,062,263	\$ 3,592,899	57%
LOCAL GOVERNMENT FUND	\$ 626,844	\$ 970,000	65%
GRANTS	\$ 609,795	\$ 123,000	496%
INTEREST & INVESTMENT INCOME	\$ 406,070	\$ 675,000	60%
MISCELLANEOUS INCOME	\$ 470,582	\$ 267,195	176%
OTHER TAXES	\$ 359,031	\$ 697,900	51%
TRANSFERS	\$ 33,000	\$ -	-
<b>TOTAL</b>	<b>\$ 13,290,050</b>	<b>\$ 22,445,208</b>	<b>59%</b>

## Income Tax

The local income tax remains Gahanna's largest source of revenue. In the second quarter of 2012, it made up 58% of total General Fund revenue. Year-to-date, income tax collections are at 53% of planned collections for the year. While it is always challenging to predict the total income tax revenue for the

year, the second quarter data is promising. Withholdings are up 11% from the same period in 2011, which supports the idea that Gahanna's tax base has recovered from the 2008 financial crisis and is indeed growing.

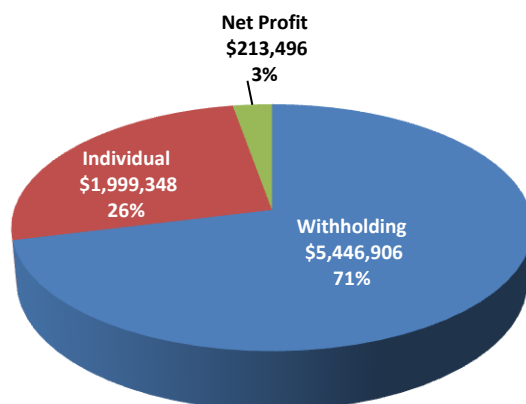


*\*includes 2 months of collections due to transition to RITA*

*\*\*Includes erroneous \$435K net profit return ultimately refunded in April 2012*

Gahanna collects income taxes in three categories: business withholdings, individual/resident returns, and net profit returns. The bulk of these collections, 79% in the second quarter, are from business

withholdings. This underscores the City's dependence on the financial success of local businesses.



In the second quarter of 2012, the withholdings category saw an increase of 11% over 2011 levels for the same time period. The continued rise in withholding indicates that there are more people working in Gahanna and paying income tax, people are earning more money and thus paying a larger amount in tax collections, or some combination of the two.

Individual returns decreased 12% over 2011 levels for the same time period. There was also

a significant decrease seen in net profit returns for the second quarter. This is attributable to two extraordinarily large net profit returns received in early 2011. Ultimately, after audit, it was determined

that a large portion of one of these returns, \$435,000, was due to be refunded to the taxpayer. This refund took place in April 2012.

### Real Estate Tax

Total real estate tax revenue for the second quarter of 2012 was \$992,852. This represents 63% of planned revenue for the year. Collections are up approximately 5% over the same period last year. The real estate tax is distributed twice a year to the City by Franklin County. Historically, the second half distributions, received in August, are the same amount, if not more, than the first half distribution. Based on this trend, it is reasonable to assume that real estate tax collections will end 2012 substantially higher than initially planned.

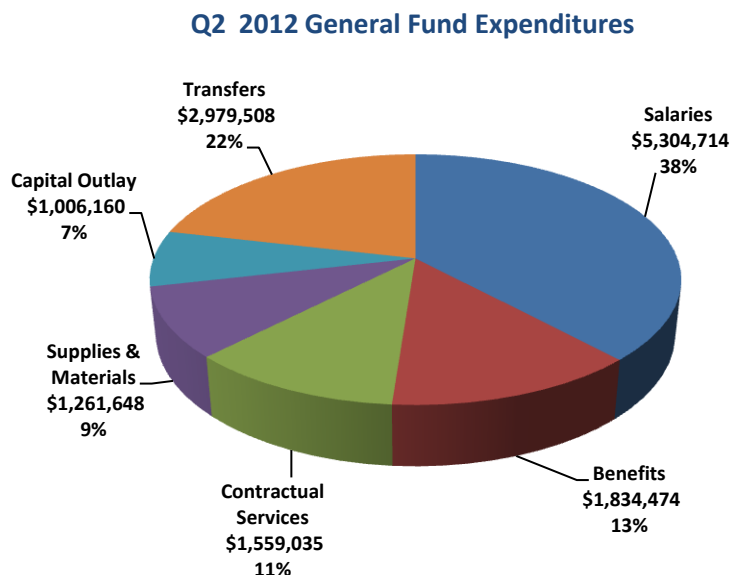
It should be noted that the City of Gahanna receives less than 3% of the real estate taxes paid by Gahanna property owners. The remainder is distributed between other publicly funded organizations such as the Gahanna-Jefferson school district, Mifflin and Jefferson townships, the Columbus Metropolitan Library system, Metro Parks and the Columbus Zoo.

### Local Government Fund

The City received Local Government Funds (LGF) totaling \$626,844 through June 30, 2012. This amount is 65% of what was initially planned for the year. LGF distributions are coming in higher than expected this year due to growth in general revenue collections at the state level. That said, Gahanna's LGF collections have been significantly affected by reductions to the LGF allocation formula that were enacted as a part of the state's most recent biennial budget. For example, the City's second quarter 2012 collections are 18% less than the same period in 2011. These changes to the allocation formula at the state level mean that, in 2012 and beyond, the City will be receiving approximately half of its historical LGF levels from before 2010.

### Expense

General Fund expenditures for the second quarter of 2012 were \$13,945,539. Compared to total General Fund appropriations of \$31,790,036 for the year (which includes initial and supplemental



appropriations as well budget authority from prior year encumbrances that were carried forward into 2012), the City has spent 44% of appropriated funds. In total, the bulk of the City's General Fund spending is focused on the salaries and benefits of City employees.

This is to be expected, as Gahanna City government is ultimately a service organization, with its primary focus being delivering services to the residents and businesses of Gahanna. These services include public safety, engineering and maintenance of public infrastructure, community and economic development and parks and recreation.

### **Capital Outlay**

The revenue uncertainty created by the national economic downturn impacted the City's investment in capital equipment and improvements. In the 2012 appropriations passed in January, only those General Fund capital expenses that would be 100% grant funded were planned for. In March of 2012, the administration introduced a Community Investment Plan to Council and the public, with the intention of re-investing past savings back into the community. This plan spans 2012 and 2013 and includes projects and purchases that will improve the City's capacity to maintain and operate its existing capital infrastructure. Departments have begun presenting project plans to Council for those projects slated for 2012. The projects proposed for 2013 will be included in the 2013 appropriations request.

During the second quarter Council approved a transfer of \$2,782,680 to the capital improvement fund to effectively earmark the funds for capital purposes as outlined in the Community Investment Plan.

### **Fund Balance**

All told, General Fund expenses exceeded revenues by \$655,489 in the second quarter of 2012. This amount reduced the City's unencumbered General Fund balance to \$12,189,191 as of June 30, 2012. If not for the transfer to the Capital Improvement Fund, revenues would have exceeded expenses by \$2,127,191.

The City has a mandatory requirement to set aside 25% of the year's planned General Fund revenue as an emergency reserve. For 2012, this mandatory reserve amount is \$5,611,302. At the end of the second quarter, the General Fund balance exceeded that mandatory reserve by \$6,577,889.

### **Other Funds**

While the General Fund is the largest of the City's funds, and is used as the primary source for governmental expenditures, Gahanna does maintain a number of other funds as well. The following table outlines each of the City's funds and the revenue and expenditure activity associated with each.

**City of Gahanna  
Q2 2012 Fund Report**

Fund	Fund Title	2012 Beginning Balance	Receipts-YTD	Expenses-YTD	Unexpended Fund Balance	Increase / (Decrease) in Unexpended Fund Balance	Encumbrance	Unencumbered Fund Balance
<b>101</b>	<b>GENERAL FUND</b>	<b>\$ 18,674,601</b>	<b>\$ 13,290,050</b>	<b>\$ 13,945,539</b>	<b>\$ 18,019,112</b>	<b>\$ (655,489)</b>	<b>\$ 5,851,724</b>	<b>\$ 12,167,388</b>
220	STREET	\$ 439,270	\$ 763,000	\$ 493,479	\$ 708,791	\$ 269,521	\$ 267,788	\$ 441,002
222	STATE HIGHWAY	\$ 138,910	\$ 49,595	\$ 35,359	\$ 153,146	\$ 14,237	\$ 13,253	\$ 139,893
224	TAX INCREMENT	\$ 2,950,201	\$ 722,934	\$ 795,946	\$ 2,877,189	\$ (73,012)	\$ 61,515	\$ 2,815,673
225	LAW ENFORCEMENT TRUST	\$ 20,436	\$ 277,711	\$ 1,220	\$ 296,927	\$ 276,491	\$ 6,600	\$ 290,327
226	ENFORCEMENT & EDUCATION	\$ 37,050	\$ 1,425	\$ -	\$ 38,475	\$ 1,425	\$ -	\$ 38,475
227	PARKS & REC DONATION	\$ 2,980	\$ -	\$ -	\$ 2,980	\$ -	\$ -	\$ 2,980
228	PERMANENT IMPROVEMENT	\$ 1,095,100	\$ 15,565	\$ -	\$ 1,110,665	\$ 15,565	\$ -	\$ 1,110,665
229	COURT	\$ 152,504	\$ 14,438	\$ 8,654	\$ 158,288	\$ 5,784	\$ 1,755	\$ 156,533
230	STORM WATER MANAGEMENT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
231	COUNTY PERMISSIVE	\$ 162,501	\$ -	\$ 4,700	\$ 157,801	\$ (4,700)	\$ 148,381	\$ 9,420
232	CUL-DE-SAC MAINTENANCE	\$ 23,527	\$ -	\$ -	\$ 23,527	\$ -	\$ -	\$ 23,527
233	COMMUNITY DEVELOPMENT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
235	FEDERAL LAW ENF SEIZURE	\$ 149,048	\$ 117,127	\$ 88,080	\$ 178,095	\$ 29,047	\$ 71,733	\$ 106,362
236	LAW ENF TRUST	\$ 4,733	\$ -	\$ -	\$ 4,733	\$ -	\$ -	\$ 4,733
241	RIGHT OF WAY	\$ 220,000	\$ 15,100	\$ -	\$ 235,100	\$ 15,100	\$ -	\$ 235,100
249	FEMA	\$ 15,718	\$ -	\$ -	\$ 15,718	\$ -	\$ -	\$ 15,718
325	CAPITAL IMPROVEMENTS	\$ 2,402,170	\$ 2,782,680	\$ 104,544	\$ 5,080,305	\$ 2,678,136	\$ 846,752	\$ 4,233,554
326	PARK IMP & ACQ	\$ 246	\$ -	\$ -	\$ 246	\$ -	\$ -	\$ 246
327	PARK	\$ 21,291	\$ 2,500	\$ -	\$ 23,791	\$ 2,500	\$ -	\$ 23,791
328	PARK-IN-LIEU OF FEES	\$ 49,980	\$ -	\$ -	\$ 49,980	\$ -	\$ 180	\$ 49,800
329	COURT BUILDING	\$ 130,321	\$ 9,020	\$ -	\$ 139,341	\$ 9,020	\$ -	\$ 139,341
431	GENERAL BOND RETIREMENT	\$ 1,186,757	\$ 340,097	\$ 689,975	\$ 836,879	\$ (349,878)	\$ -	\$ 836,879
435	SPECIAL ASSESSMENT GBR	\$ 22	\$ -	\$ -	\$ 22	\$ -	\$ -	\$ 22
510	POLICE PENSION	\$ 885,321	\$ 445,677	\$ 445,677	\$ 885,321	\$ -	\$ 12,876	\$ 872,445
515	POLICE DUTY WEAPON	\$ 4,581	\$ 923	\$ 399	\$ 5,104	\$ 524	\$ 4,701	\$ 403
530	PUBLIC LANDSCAPE TRUST	\$ 7,816	\$ -	\$ -	\$ 7,816	\$ -	\$ -	\$ 7,816
580	VENDING MACHINES	\$ 4,793	\$ 24	\$ 1,569	\$ 3,248	\$ (1,545)	\$ -	\$ 3,248
621	PARKING GARAGE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
631	STORMWATER	\$ 1,958,631	\$ 480,287	\$ 448,317	\$ 1,990,602	\$ 31,970	\$ 186,385	\$ 1,804,216
651	WATER	\$ 3,343,460	\$ 2,536,836	\$ 3,580,397	\$ 2,299,899	\$ (1,043,561)	\$ 2,246,918	\$ 52,981
652	WATER SYSTEM CAPITAL IMP	\$ 2,135,430	\$ 324,794	\$ 147,689	\$ 2,312,535	\$ 177,106	\$ 69,487	\$ 2,243,049
661	SEWER	\$ 9,334,676	\$ 2,306,397	\$ 4,331,719	\$ 7,309,355	\$ (2,025,321)	\$ 4,587,050	\$ 2,722,305
662	SEWER SYSTEM CAPITAL IMP	\$ 3,661,045	\$ 221,971	\$ 299,505	\$ 3,583,511	\$ (77,534)	\$ 382,789	\$ 3,200,722
750	RESERVE FOR SICK/VACATION	\$ 1,269,826	\$ -	\$ 12,653	\$ 1,257,173	\$ (12,653)	\$ -	\$ 1,257,173
800	UNCLAIMED FUNDS	\$ 30,349	\$ -	\$ -	\$ 30,349	\$ -	\$ -	\$ 30,349
835	SENIOR ESCROW	\$ 6,821	\$ 380	\$ 1,381	\$ 5,820	\$ (1,001)	\$ -	\$ 5,820
837	VETERANS MEMORIAL	\$ 9,253	\$ 748	\$ 1,390	\$ 8,611	\$ (642)	\$ 1,747	\$ 6,864
840	LANDFILL ESCROW	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
850	REFUSE ESCROW	\$ 428,591	\$ 925,640	\$ 970,159	\$ 384,072	\$ (44,519)	\$ 1,124,567	\$ (740,495)
860	DEVELOPERS ESCROW	\$ 436,230	\$ 15,650	\$ 26,741	\$ 425,139	\$ (11,091)	\$ -	\$ 425,139
870	TIZ REAL ESTATE ESCROW	\$ 63,487	\$ 76,841	\$ 146,804	\$ (6,476)	\$ (69,964)	\$ -	\$ (6,476)
900	SELF INS WORKERS COMP FUN	\$ 113,275	\$ 84,597	\$ 124,391	\$ 73,481	\$ (39,793)	\$ 14,110	\$ 59,372
<b>ALL FUNDS TOTAL</b>		<b>\$ 51,570,949</b>	<b>\$ 25,822,007</b>	<b>\$ 26,706,286</b>	<b>\$ 50,686,670</b>	<b>\$ (884,279)</b>	<b>\$ 15,900,311</b>	<b>\$ 34,786,359</b>

## Conclusion

The rise in withholding tax collections during the reporting period continue to indicate that portions of Gahanna's local economy are recovering. While that news is encouraging, there will continue to be revenue issues that will impact Gahanna in the coming years. The City's interest and investment earnings, which were once a significant source of revenue for the City, have dropped to nearly half of historical levels. With no expectation of interest rates increasing substantially in the near future, this will continue to remain an issue for the City. Additionally, 2012 will be the final year of Estate Tax in Ohio. While this particular source of revenue is not one that City has consistently relied upon, the loss of approximately \$300,000 in Estate Tax collections per year will certainly have an impact on the General Fund.

In the near-term and beyond, maintaining a conservative fiscal approach while appropriately investing in the City's capital infrastructure will continue to be crucial for Gahanna. Doing so will enable the City to continue to provide excellent services to businesses and residents within available resources.

### **Additional Resources**

The Finance Department has posted this report along with numerous supporting documents to the Financial Publications portion of the City's website. These include both revenue and expenditure status reports for each account and fund, and a detailed listing of all budget transfers completed within the appropriations through the second quarter.

These documents can be found in the *Quarterly Financial Reports* section at <http://www.gahanna.gov/departments/finance/financialpublications.aspx>